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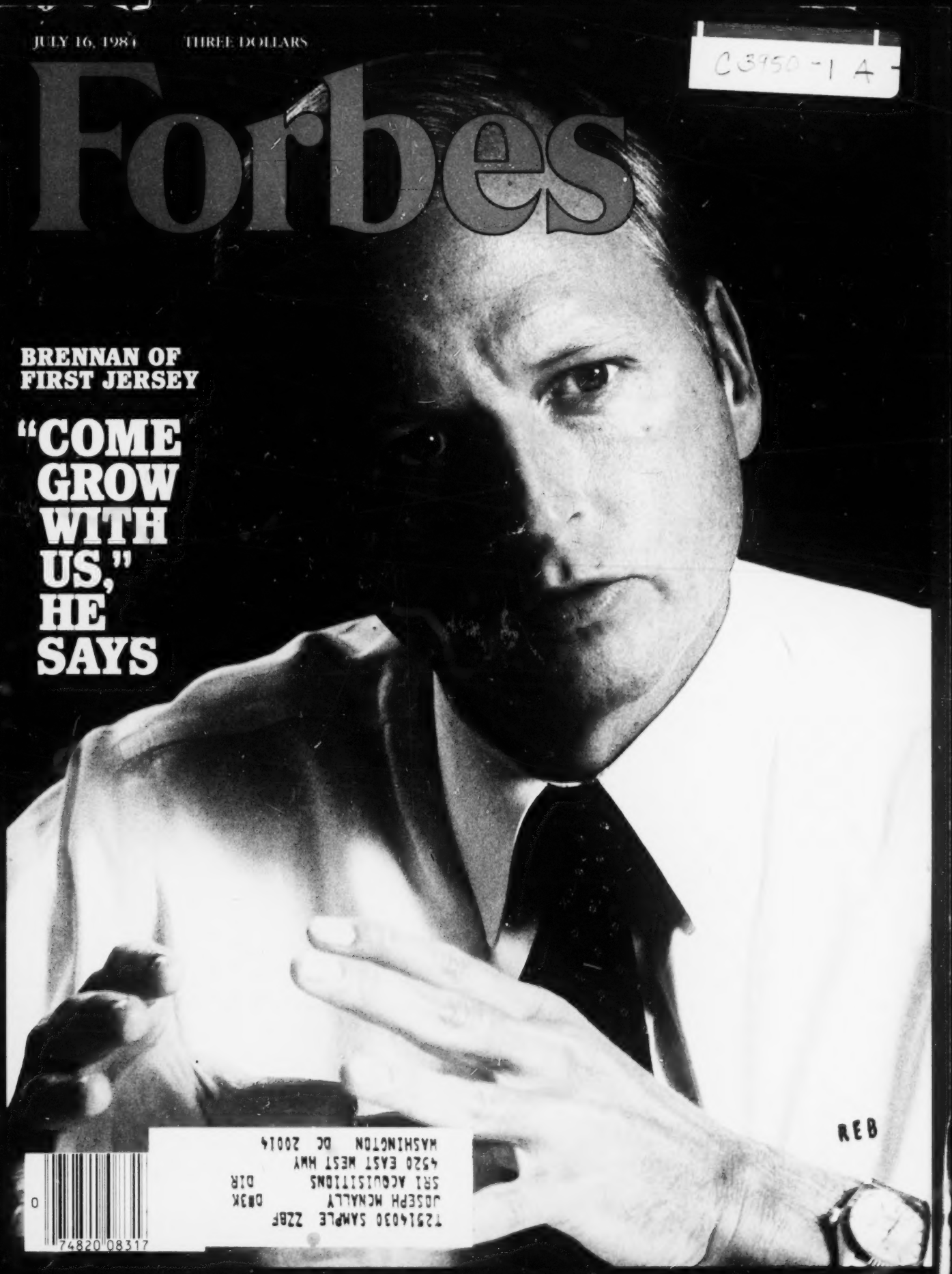
JULY 16, 1984 THREE DOLLARS

Forbes

BRENNAN OF FIRST JERSEY

"COME GROW WITH US," HE SAYS



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Forbes

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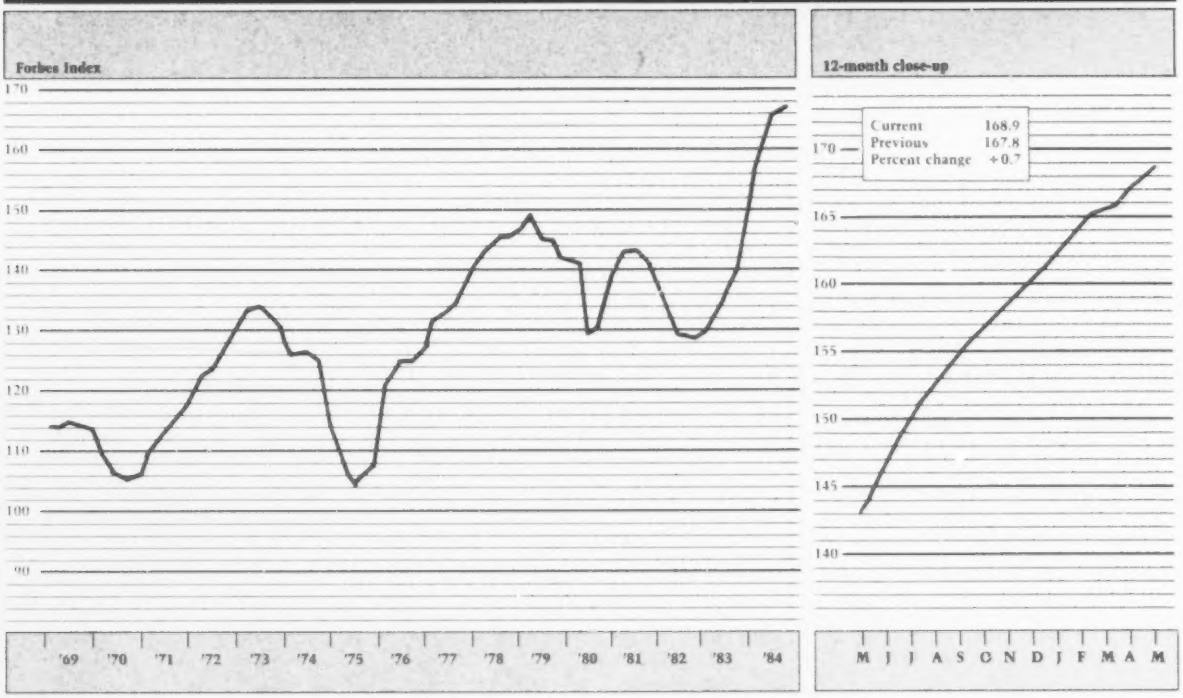
Cover photo by: Paul Fetters

The Forbes Index



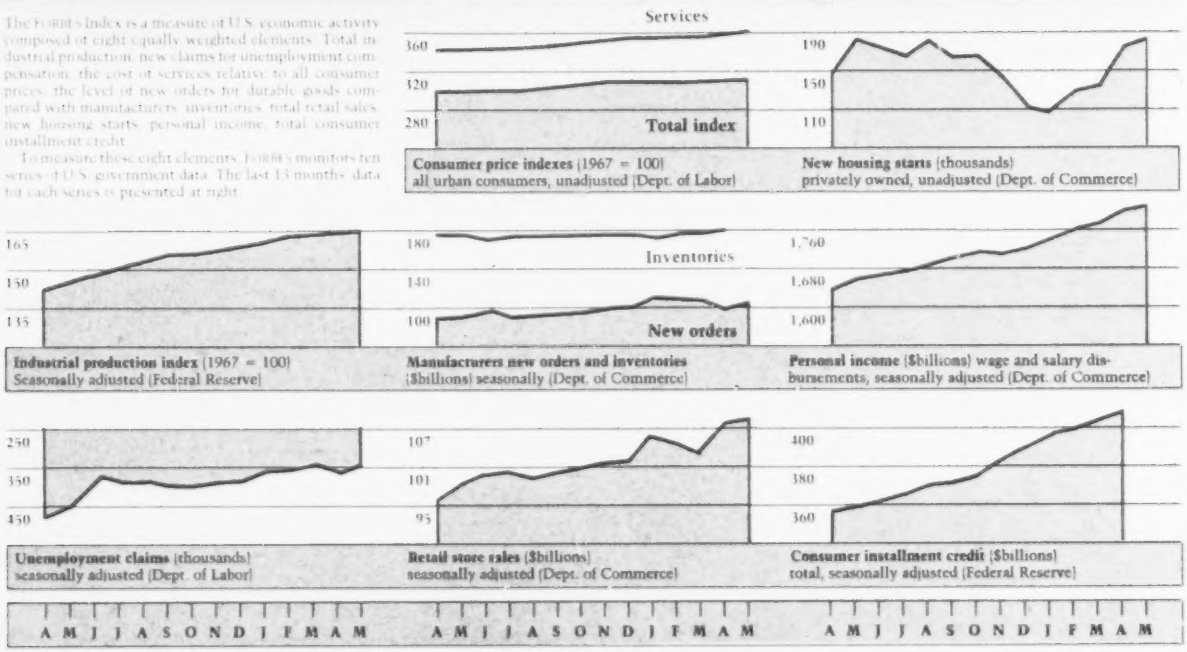
Not much to complain about. The Forbes Index, with a modest 0.7% gain, hit a new high in the latest reporting period. Over the last several months, however, the Index has been registering smaller increases than it did earlier in the recovery. But this time the news is good on all fronts. Two key gains: New housing starts rose 5.4% over the previous month, and manufacturers' new orders increased by 3.3% in May, vs. a 7.1% decline in April.

The Consumer Price Index for services rose by 0.5%. But the overall Consumer Price Index was up only 0.3%. On an annualized basis this translates into a moderate 3.6% increase. So much for worries about inflation. New unemployment claims, meanwhile, fell 2.8% in April, reversing a two-month upward trend.

The Forbes Index Components

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 13 months' data for each series is presented at right.



atmosphere has the advantage that nature will do most of the sorting out of decoys. These must be lightweight, not taking up much payload; thus they will burn up on reentry. The ABM launchers of the second tier can't be put on every street corner, so their use probably would be limited to defending key installations like missile silos rather than defending cities.

The third tier are antisatellite weapons to knock out the eyes and ears of the enemy. These are almost ready. The Russians already have a radar-controlled killer satellite that maneuvers close to another satellite and then blows up both. The U.S. has done an initial test on a missile fired from a highflying F-15 fighter. The missile zooms into space and does the same thing fairly cheaply. This system has yet to be fired against an actual satellite target, and that test may be some way off. Congress has said that any such test must trigger a timetable for the President to begin negotiations with the Soviet Union on limiting ABM development, let alone deployment.

There are much more elaborate weapons programs also under way that might be used against satellites or missiles. The Russians have satellite-based lasers almost ready to go, and the U.S. is working on similar technology but is many years behind. Then, the U.S. has run ground tests on what's called a rail gun, which, placed on a satellite, would use powerful magnetic pulses to fire a 6-pound missile equipped with a miniature infrared homing device.

But so far these are only tests, often done at White Sands, N.M., or only research on particle-beam weapons, done at Los Alamos laboratories. Says Abrahamson: "It will be up to some future President and Congress to make decisions on what to deploy." The budget is still relatively small for a program that the general says is more complex than the Space Shuttle, around $1.5 billion being spent this year and an indicated $3.8 billion for fiscal 1986.

What is important is that concentrating on defense could reduce the risks of war. To argue, as the pacifists do, that building an effective defense will just promote aggressive war is like saying the installation of burglar alarms encourages burglary.

"We have to show that we have the technical capability and are determined," says General Abrahamson. History demonstrates conclusively that naive wishing for peace is the surest possible way to encourage an aggressor. ■

It turns out that both sides in the Iran-Iraq war are better at talking and killing than they are at winning. What does this mean for the price of oil?

Whither oil prices?

By Allan Dodds Frank

ABOUT THE ONLY THING predictable in the world oil situation is its unpredictability. Only a few years ago practically everybody—FORBES included—embraced the view that the price of oil was on an unstoppable upward curve. Later the consensus was that the price would remain weak for the rest of this decade. A few weeks back opinion wavered. What would happen if the fighting between those warring tyrants Khomeini and Saddam Hussein were to close the Persian Gulf to oil traffic? Oil could hit $50 in a matter of weeks.

It turned out to be another false alarm. Both Saddam Hussein and Khomeini have turned out to be bloody incompetents—good at repressing their own people and sending their men to the slaughter, utterly ineffectual in running a war. So, opinion on oil prices has done another 180-degree turn.

Sooner or later Iran and Iraq will stop the war. Most likely it will peter

The potential for glut

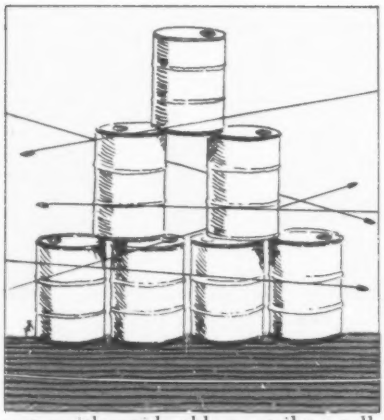
An extra 3 million barrels a day from Iraq and Iran could break the price.

Major producers	Capacity* installed	Capacity* maximum	Capacity* available	Production† peak	Production† current
	(in millions of barrels per day)				
Middle Eastern					
Saudi Arabia	12.5	10.0	8.5	10.3	4.8
Iran	7.0	5.5	3.3	6.7	2.3
Iraq	4.0	3.5	1.1	3.5	1.1
Kuwait	2.9	2.5	1.3	3.0	1.0
Libya	2.5	2.1	1.8	2.2	1.1
UAE, Qatar, Neutral Zone	3.9	3.6	2.8	3.5	1.9
Other					
Venezuela	2.6	2.5	2.4	3.4	1.8
Mexico	2.9	—	—	3.0	2.7
Nigeria	2.5	2.2	2.2	2.4	1.6
US	9.6	—	—	9.2	8.8
USSR	12.9	—	—	12.4	11.9
Total world	74.3			62.5	53.9

***Installed:** All aspects of crude oil production, processing, transportation and storage; generally the highest capacity estimate. **Maximum:** A rate that can be sustained for several months; generally 90% to 95% of installed capacity. **Available:** Reflects production ceilings of nations and other restrictions, such as those caused by the Iraq-Iran war.

†**Peak:** The Saudi peak was August 1981, but most peak production months of the Middle Eastern producers occurred between 1974 and 1977. **Current** is February 1984 in most cases.

Sources: Central Intelligence Agency; Department of Energy; Petroleum Intelligence Weekly; *Georgetown University Center for Strategic & International Studies.*



out, neither side able to strike a telling blow. When that day comes, they will immediately begin work to increase oil exports. Both need oceans of cash to repay debts and repair their damaged economies.

How fast and how much? Iran has produced as much as 6.7 million barrels a day and is now probably producing around 2 million. Iraq has produced as much as 3.5 million barrels a day and is running about 1 million barrels a day now.

It is possible that, within 18 months after the war stops, Iran could double production, to 4 million barrels a day. Iraq, reopening its pipeline through Syria (closed because Syria allies itself with Iran), could be moving 2 million a day within months of peace. With production of 1 million barrels a day bringing in $10 billion a year, the incentive is clearly there.

A worldwide economic boom might absorb an extra 3 million barrels a day, assuming the other hungry exporters—Venezuela, Mexico, Nigeria—would let the Iraqis and the Iranians get it all. That's an unlikely assumption, considering how badly some of these need cash. And without a boom, the added production will create pressure to cut prices. Even then some producers will have to reduce production.

The Saudis, the biggest Mideast producer, are the natural target for those who would want production cuts. The Iranians resent the fact that Saudi Arabia has seized much of Iran's market share. Before the Shah fell, Iran had roughly 25% and Saudi Arabia 35% of Gulf production. Now the Saudis have nearly 50% of the market, the Iranians only 10%.

But the Saudis, who can pump 10 million barrels a day, are now pumping less than 5 million. That seems to be what's needed to fund debt and feed the vast subsidy system preserving the regime. They would have difficulty cooperating with any suggestion to cut their output 2 million or 3 million barrels a day, or $20 billion to $30 billion a year.

So, the end of the war would simply mean more production and more downward pressure on OPEC's $29-a-barrel price, which already is being discounted $2.50 a barrel by Iran, ostensibly to offset increased insurance costs. The Saudis also may be discounting by shipping higher-grade crude mixes at lower-grade prices and by making credit terms so easy that they amount to interest-free, short-term loans.

"It is going to continue to be a buyer's market," says Milton Copulos, a Heritage Foundation analyst. Copulos goes further than most oil watchers saying prices could drop to $22 a barrel. "There is a lot of shut-in production," he says, "and people are dying to ship more oil. The temptation [to cut prices] has got to be irresistible."

Significantly, the spot market, which is always a harbinger of fear, had not moved more than $1 or $2 upward as the war escalated and now is nearly $1 less than the $29 OPEC benchmark price.

Oil at $22 a barrel? It could happen. But remember this: Almost every recent prediction about the price of oil has proven wrong. Whatever their problems, the OPEC nations realize that if they must choose between cutting output further and seeing OPEC come apart, the former becomes the lesser of two evils. On the other hand, deflationary pressures remain strong in commodity prices, and oil is a commodity. Whither oil prices? The smartest answer is: Mistrust all predictions and hope for the best. ■

There's a lot to be said for the federal government's changing to a flat tax, but it would cause a lot of people a lot of pain.

Rhetoric or reality?

By Susan Lee

TAX REFORM? Now you're talking. It's not only a hot topic wherever there are taxpayers, but it's also sizzling in Washington. Both parties are expected to include tax reform in their 1984 platforms, and leading candidates for the Democratic nomination literally tripped over themselves in their rush to embrace something called the Bradley-Gephardt "Fair Tax." Nonetheless, for all this buzzing, most of the hottest reform schemes do little more than timidly shift tax burdens around.

A redesign of the tax code is urgently necessary. Honest taxpayers find the system unfair and confiscatory, savvy ones find it shot with loopholes, dishonest ones find it easy to evade, and everybody finds it aggravating to figure. Moreover, its complicated system of deductions, exemptions and credits is rather wickedly designed to distort the free-market process by which resources flow to their most productive use.

Why beat around the bush? The current income tax, in terms of the usual standards of judgment—efficiency, equity and simplicity—is a megaflop *(see box, p. 35)*

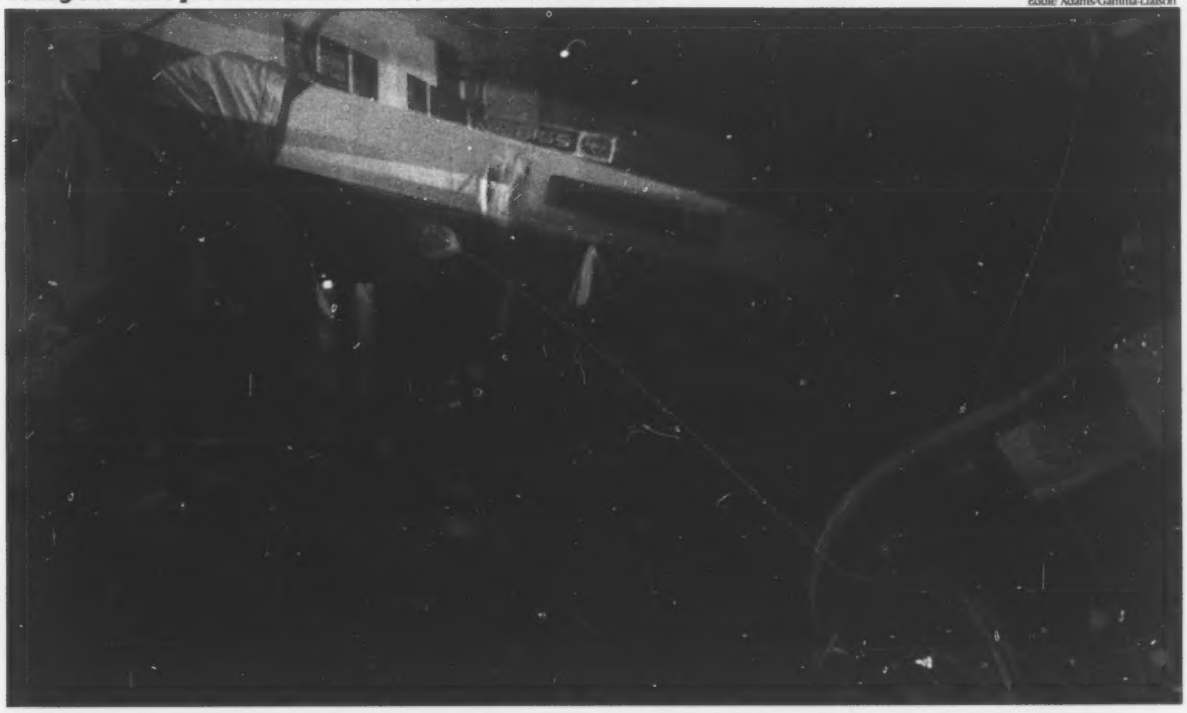
There is, however, one dilemma all reform schemes must resolve. On the one hand, to be politically acceptable, reform has to offer taxpayers an incentive to go for it. And the fastest way to achieve acceptability is to promise lower taxes.

But how do you lower overall taxes when the size of the federal deficit has everybody rattled? The trick is to lower rates while broadening the tax base so that the take remains constant. This is, in fact, the conceit common to the flat tax proposals now in vogue. It is also where these flat tax schemes indulge in grand illusion.

Talk about the impact of base-broadening is vague in the extreme. "Everybody likes the rhetoric," says

DeVilbiss robot on Nissan's new truck assembly line in Smyrna, Tenn.
Today the mass-production industries, tomorrow the batches.

Eddie Adams/Gamma-Liaison



Whatever happened to robotics? It is here but moving slowly, and the winners will not be known for years.

Shakeout

By James Cook

A DECADE AGO forecasters were predicting that the market for robots in the U.S. would reach $1 billion by 1983. Instead, according to a recent International Trade Commission study, it came to $169 million. Unit sales were up only 20% last year, well below the 30%-to-50% growth rates some analysts predicted. As with any business gearing for growth that is slow to come, robotics is spouting red ink. The ITC figures the industry lost $83 million on that $169 million in sales.

Yet hopes still run high. General Electric, for instance, has set up a robotics division in Orlando, Fla. and last fall worked out a series of licensing agreements with such big guns as Volkswagen, Hitachi and Italy's D.E.A. that gave GE a full line of equipment. Westinghouse, which had already acquired some licenses from Komatsu, Mitsubishi and Olivetti, picked up Unimation, the industry's pioneering company. Earlier, IBM announced it had major ambitions in factory automation and, to prove it meant what it said, introduced five robots it had been using internally.

What lies ahead? These days the consensus is that robotics is finally picking up speed and that sales should hit $2 billion by 1990. Who will get the lion's share? According to that same ITC study, a half-dozen producers have about 80% of the business: Cincinnati Milacron, Westinghouse, Champion's DeVilbiss division, GMF robotics, and maybe Prab Robots or Sweden's ASEA. But the market is still up for grabs, and there are another 40 or 50 companies trying to position themselves *(see table, p.70).* Some of the contenders are divisions of large companies like United Technologies. Some are outfits financed by venture capital, like Intelledex or Advanced Robotics, or established independents like Microbot.

Clearly, though, the business is long on hope, short on reality now. It is operating at less than 50% of capacity, and price-cutting is murderous. It requires neither courage nor foresight to predict a shakeout is near.

Consolidation is already under way. Besides Westinghouse's Unimation acquisition, Square D picked up U.S. Robots. Cross & Trecker, which bought up the entire Bendix factory-automation business, including machine tools and automation equipment, will probably jettison the Bendix robot business. Copperweld has decided to get out of robots, and Nordson is likely to do so soon. By 1986,

the Yankee Group figures, only 20 U.S. companies will be left of the current 40 or 50.

The U.S. still leads the world in robotics technology, but, significantly, Japan ranks first in applying it. Of the 50,000 robots in use worldwide in 1982, Japan had 31,000 of them, vs only 7,000 for the U.S. and about 3,500 for West Germany. The Japanese, moreover, won a big foothold in the U.S. market when the U.S.' largest consumer of robots, General Motors, worked out a joint venture with Japan's robotics giant, Fanuc (rhymes with Zanuck). That meant that from then on GM would be making most of its own robots and was willing to cut mate their production lines.

Now that their own markets are saturated, the Japanese are emerging as major sources for U.S. producers of lower-cost hardware—the robot arms that actually do the work at the command of the computer controls. So, one by one, the up-and-coming companies are working out deals with the Japanese. They have no choice. Domestic suppliers may have an edge on service, but foreign robots are cheaper to buy and maintain. Ransburg's Cybotech affiliate has worked out deals with Japanese companies like Tokico and Mitsubishi Electric, just as GE and Hobart Brothers have before it. Last month Cincinnati Milacron re-

ing and painting. But these markets have matured, and the overall market is splitting between high-volume assembly-line robots and higher-margin, lower-volume batch-manufacturing robots—for use in arc welding and assembly. Batch manufacturing, with its high labor content, would seem a natural robotics market.

In a time of generally high unemployment, anything that reduces labor is controversial. Robotics people, therefore, prefer talking about saving materials, reducing inventory and using machinery more efficiently. Yet, Donald Grierson, head of GE's industrial electronics business, observes: "With a robot serving four or five ma-

When smaller is better

It may be years before robotics makes any major impact on giant corporations like General Motors, General Electric or United Technologies. But for some of the other players, including those listed below, the payoff could come sooner. They are small enough for robotics to show up in earnings—if they survive.

Company	Est % sales in robotics 1983*	1983 total sales (millions)	% change total sales 1980-83	Est robotics sales* 1983 (millions)	Est robotics sales* 1984 (millions)	1983 EPS	% earnings change 1980-83	5-year average ROE	Debt/ equity ratio	Recent stock price	P/E ratio
Cincinnati Milacron	9.1%	$559.0	–31.5%	$51.0	$63.0	–$0.46	P-D	13.9%	0.3	25	def
Automatix	100.0	13.0	2,797.8	13.0	30.0	–0.20	D–D	def	0.0	10¼	def
Champion Spark Plug	2.7	764.4	–4.4	21.0	24.5	0.70	–27.1%	9.7	0.1	8⅛	8.8
Prab Robots	68.1	19.1	32.9	13.5	13.5	–0.04	P–D	12.4†	1.3	9	def
GCA Corp	3.1	194.8	2.0	6.0	9.0	0.10	–91.7	17.1	0.7	27⅛	57.7
Ransburg Corp	1.8	131.3	–3.5	2.3	6.6	0.10	–94.1	14.7	0.1	13	def
Thermwood	36.3	5.5	71.9	2.0	4.5	–1.10	D–D	def	0.9	1⅞	def
Nordson Corp	3.7	125.8	19.1	4.7	2.0	1.28	–26.0	21.0	0.1	16¼	12.7
Intl Robomation/ Intelligence	100.0	1.1	NM	1.1	NA	–1.24	D–D‡	def	1.3	6⅛	def

*Figures are from Laura Conigliaro, Prudential-Bache Securities. †Four-year average. ‡1981 to 1983. D–D: deficit to deficit. P–D: profit to deficit. def: deficit. NA: not available. NM: not meaningful.

the Japanese into the deal for the sake of Japanese technology. For Westinghouse's Unimation, the deal was especially devastating. Over half of Unimation's business had been in selling spot welders to GM.

As is usual in Japan, robotics, as an industry of the future, gets important government aid. A government leasing corporation markets the manufacturer's output and offers tax and credit incentives to prospective customers. But the U.S. government also subsidizes the industry. Last year, for instance, about $75 million was spent on robotics research and development in the U.S., and more than half of that was supplied by the Department of Defense. Where the Japanese have gotten a clear lead is in the greater willingness of big Japanese companies to experiment with robots for their own internal use. Thus encouraged, the Japanese manufacturers of robots have been able to achieve economies of scale. Demand for robots has been so large that the Japanese can not only mass-produce robots but also auto-

luctantly announced it would have to turn to foreign suppliers if U.S. producers could not supply it at competitive cost. "We wanted to support U.S. industry," Milacron's Clifford R. Meyer explains.

Why has robotics developed so slowly at a time when high labor costs are such a burden to industry and to the consumer? Robotics is a new and different technology, and you have to learn to use it just as you do any other. By and large, robots are not competitive with machine tools when you are dealing with materials like steel. But aluminum or composites? That may be another matter. The aerospace industry has discovered that Cybotech gantry robots can drill holes in and rout parts out of composite materials as effectively as a machine tool can, and do so with a machine that costs $1 million instead of $6 million. So now the auto industry is interested.

Up to now robots have been used primarily as elements in existing mass-production systems, most notably in the auto industry for spot welding and painting. But these markets have matured, and the overall market is splitting between high-volume assembly-line robots and higher-margin, lower-volume batch-manufacturing robots—for use in arc welding and assembly. Batch manufacturing, with its high labor content, would seem a natural robotics market.

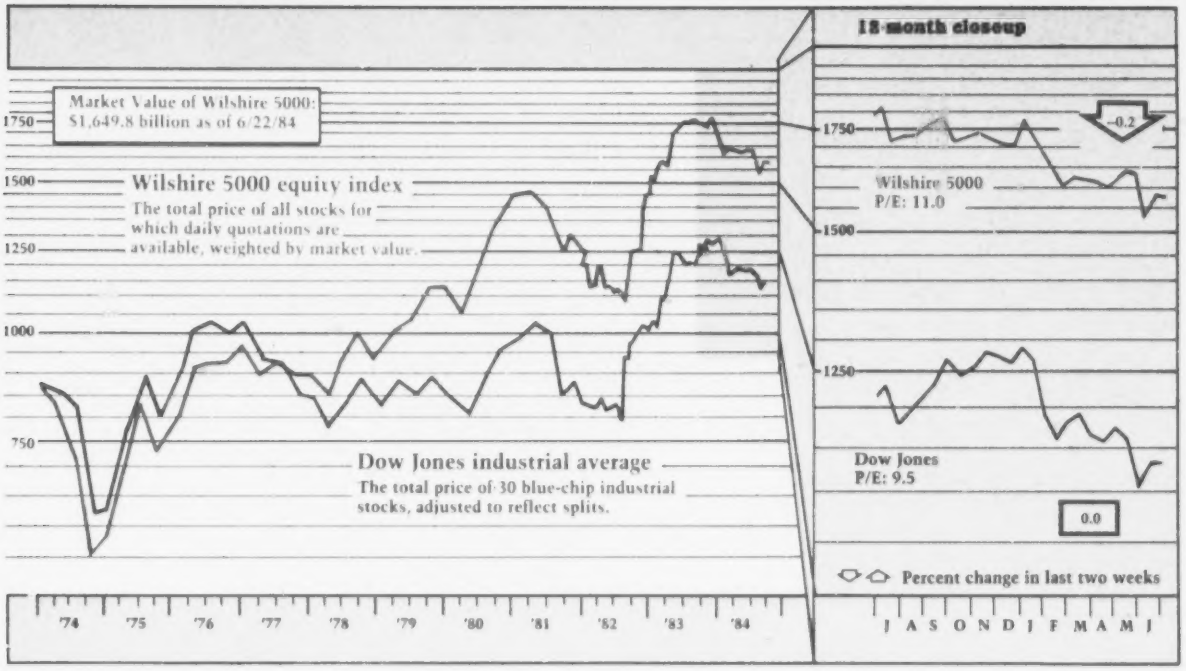
In a time of generally high unemployment, anything that reduces labor is controversial. Robotics people, therefore, prefer talking about saving materials, reducing inventory and using machinery more efficiently. Yet, Donald Grierson, head of GE's industrial electronics business, observes: "With a robot serving four or five machines you can keep all four at a much higher level of utilization than if you had one or two people there."

But is the U.S. fated to lose in this promising but slow-to-develop business? Not necessarily. The future does not really lie in hardware. It lies in software, in the computerized controls that will direct the machinery, that will give it its basic versatility and flexibility. "The robot business is going to be a service business," Cybotech's Paul H. Gaither believes. "It's not a machine-tool business. It's going to take a lot of software, tooling and peripheral equipment to make robots successful."

But here's the problem: In robots the U.S. thrust is toward more sophisticated products, as it was in machine tools, a strategy that leaves it vulnerable to the price competition of simpler, less sophisticated machines.

The answer to these questions lies in the future, for while robotics is moving ahead, it is not about to take off. The age of robotics is coming—but slowly, slowly. ■

The Forbes/Wilshire 5000 Review



Is the NASDAQ on the mend? Many experts predict that blue-chip and defensive issues, rather than speculative over-the-counter shares, will lead the market out of its slump. Nevertheless, the NASDAQ's recent strength is encouraging. Early in May, it outperformed the market over both a two-week and a four-week stretch.

What's more, during the last ten trading days, NASDAQ stocks gained 0.3%, while NYSE issues declined 0.3% and Amex issues fell 0.8%. NASDAQ shares also outpaced the rest of the market during the past month. The NASDAQ was up 2.5%, while the Wilshire index of more than 5,000 stocks gained only 2.3%.

Despite the improvement in over-the-counter shares and a 44-point advance in the Dow during the last week of this reporting period, many investors are still not convinced that a summer rally is at hand. No wonder. The market has spurted ahead several times this year, but gains have quickly been given up. Neither recent trading volume nor the advance-to-decline ratio signals a major buying trend. Sure, impressive earnings growth makes fundamentals encouraging. But, unfortunately, market indicators show that investors are still skittish.

Close-up On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[1]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	2.3	2.0	2.2	2.2	1.8	2.5
in last 52 weeks	-13.1	-9.3	-8.9	-9.9	-18.0	-26.7

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility[2]		P/E multiple		Dividend yield		Growth profile[3]		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	3.0	1.0	2.5	0.9	1.6	1.4	0.7	0.7	2.6	2.1	3.2	1.2
in last 52 weeks	-11.8	-16.8	-24.8	0.1	-28.8	-11.8	-0.5	-18.2	-19.9	0.0	-9.0	-21.1

[1]Based on sales
[2]A stock's sensitivity to overall market movement. High volatility issues have wide price fluctuations, low-volatility issues are more stable
[3]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates

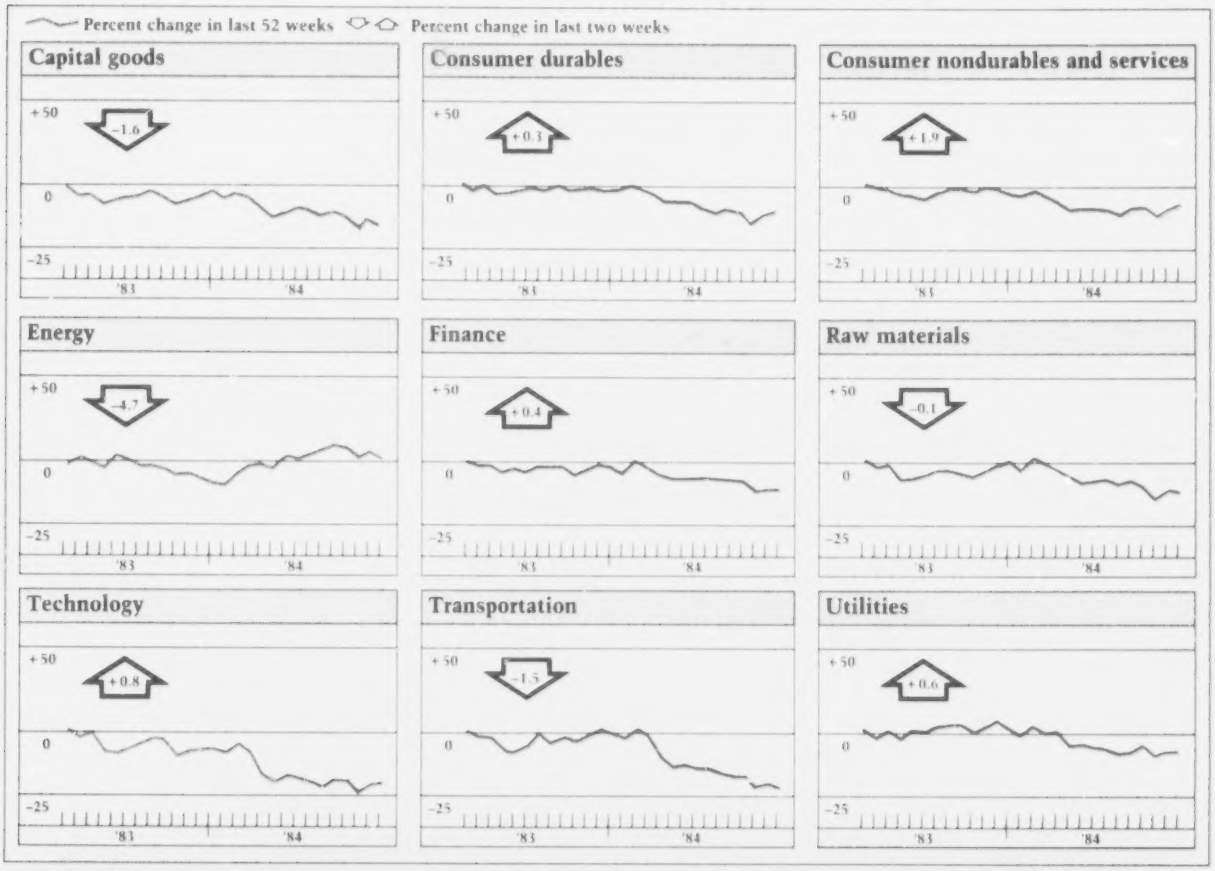
Note: All data for periods ending 6/22/84. Prepared by Wilshire Associates, Santa Monica, Calif.

Shelley Dell

Where The Action Is

Leaking oil. Investors responded in a very logical way to signs that the Persian Gulf conflict will not send oil prices soaring. They sold off both oil producers and service companies. As a result, energy shares suffered the sharpest setbacks during the recent two- and four-week periods. Other sectors showed smaller losses: capital goods, off 1.6%; transportation, off 1.5%; and raw materials, off 0.1%.

Buyers, meanwhile, loaded up on defensive issues, such as food stocks. Several food and beverage shares recorded 52-week highs and helped consumer nondurables, up 1.9% during the last two weeks, to register the largest gain of the nine sectors. The second-best group: technology.



What The Analysts Think

Changing the tune. For the last several months analysts were busy scaling back 1984 earnings estimates. They reversed this trend, however, over the last few weeks. Sure, the most recent upward revisions in estimates are modest, but they could signal renewed optimism on Wall Street. This pattern is worth watching.

Forecasting the Forbes 500

Performance period	Average earnings per share	P/E
latest 12 months	$2.86	10.8
1984 estimates	3.99	8.1
1985 estimates	4.84	6.4

Rank based on change in estimate	Sector	Estimated 1984 EPS	% change in 1984 estimate in 2 weeks	% change in 1984 estimate in 4 weeks
1	Finance	$3.68	0.13%	0.31%
2	Raw Materials	3.27	0.08	0.16
2	Technology	1.93	0.08	0.13
4	Transportation	2.66	0.07	0.10
5	Energy	2.75	0.05	0.07
6	Consumer durables	3.23	0.04	0.01
6	Capital goods	2.38	0.04	0.05
8	Consumer nondurables	2.58	0.03	0.05
9	Utilities	3.50	0.00	0.10

Earnings projections are equal-weighted consensus estimates from over 1,800 security analysts. Forecasts for the 9 Wilshire sectors are limited to firms with 3 or more estimates, with a mean estimate greater than $0.50. Data are compiled and updated weekly by Zacks Investment Research, a Chicago-based quantitative consulting firm.

Note: All data for periods ending 6/22/84. Prepared by Wilshire Associates, Santa Monica, Calif.; Zacks Investment Research, Inc., Chicago, Ill.

These days, folks eagerly search for bargains among over-the-counter stocks. Do they know the American Exchange has been performing far better?

Where the aisles aren't crowded

By Steve Kichen

THE FIRST six months of 1984 haven't been good ones for most investors. All of the major market indexes, in fact, are down for the period. But there is a surprise buried among the gloomy statistics. On a relative basis, the American Stock Exchange, which seldom attracts much attention, has performed unusually well.

From the beginning of the year until the middle of June, the Amex composite is off by 10.7%, slightly less than the slump in the broad-based Wilshire index. The Amex, moreover, did especially well when compared with over-the-counter stocks. As measured by the NASDAQ composite index, these stocks were down by over 15% for the period. Also, during several stretches of 1984, the Amex outperformed all major market indicators.

Why the relative strength? Sure, obscure Amex issues like Sterling Extruder (up 114%) and Mangood (up 106%) have posted impressive gains. But the Amex index, like the NYSE and NASDAQ composites, is capitalization-weighted. That diminishes the effect of small firms.

To see what is really supporting the index, it is necessary to find the big changes in market value. With help from computers at Los Angeles-based Wilshire Associates, we pinned down the largest dollar-value moves since January. The results appear in the table on the opposite page.

Giant B.A.T Industries, based in the U.K., shows the biggest gain. Its market value rose by $136 million. On a per-share basis, low-priced B.A.T moved up only 14% as it went from 2⅞ to 3. But B.A.T has more than 1.4 billion shares outstanding.

This certainly pales beside such NYSE giants as IBM. IBM has more than 600 million outstanding shares, so a mere quarter-point swing in price affects market capitalization by more than $150 million. But on the Amex, which traces its roots back to the 18th century as traders gathered on the curb to trade unlisted stocks, B.A.T carries a lot of weight.

Many of the Amex capitalization gainers are small firms enjoying the benefits of special situation moves, the kind of ride shareholders love to take. Condec, a diversified manufacturer, appreciated from a $29-a-share buyout offer from management. Conrock, a cement company, plans to merge with California Portland Cement. American Petrofina, an affiliate of Belgium's Petrofina, S.A., is investigating a merger with a similar-size U.S. company.

Continental Airlines, by contrast, is in the midst of Chapter 11 proceedings. Then there's BIC Corp., where profits are already rising.

The message: For investors who

Bargains on the Amex

Out of the nearly 1,000 issues listed on the American Stock Exchange, only these 11 passed our tough computer screens for value. Each stock in this group of loaded laggards is priced below book value, has debt less than 50% of equity and boasts a four-year earnings growth rate greater than 10%. In addition, all carry price/earnings ratios under 10.

Company/business	Price recent	Price 52-week high	Price 52-week low	Latest 12-month EPS	Latest 12-month P/E	4-year earnings growth	Yield	Sales (mils)	Current ratio	Debt/ equity	Book value
Alba-Waldensian/apparel	9½	23⅜	9⅛	$1.45	6.6	69%	2.1%	$46.7	4.44	17%	$12.80
Avondale Mills/textiles	17⅜	25¼	17¼	3.02	5.8	87	4.6	302.1	2.95	25	23.35
Blessings Corp/health care prods	18⅛	26	17⅜	2.52	7.2	35	4.4	43.6	3.47	48	21.10
Century Factors/financial services	17¾	20½	17½	2.90	6.1	44	0.8	12.6	1.29	40	21.50
Continental Materials/bldg mtls	13	38¼	12¼	1.45	9.0	44	—	50.5	1.90	41	13.70
EAC Inds/aerospace	7¼	16¾	7	0.95	7.6	NM	5.5	38.8	2.83	48	8.30
Hastings Mfg/auto parts	37⅜	38⅞	25⅛	5.01	7.5	14	1.7	55.5	3.05	16	46.59
Perini/construction	25⅛	33¾	23	2.85	8.8	15	3.2	852.4	1.45	19	30.70
Riblet Products/mfgd housing	12¼	21	9¾	1.82	6.7	12	1.6	119.2	2.01	7	15.40
TeleConcepts/telecomm equip	4⅛	31	4	0.54	7.6	NM	—	34.5	2.95	8	6.70
Trans-Lux/financial info display	10¼	19¼	10⅛	1.37	7.8	11	0.9	28.0	1.92	29	15.54

NM: not meaningful

Sources: Disclosure II Data on Diskette via Micro Scan from ISYS Corp; Wilshire Associates; Forbes

seek opportunities that others have overlooked, the Amex can offer some surprising bargains. In a curious way, the recent growth of the over-the-counter market makes the Amex even more attractive. Since the National Association of Securities Dealers began linking traders electronically in 1971, the Amex has lost much of its following. In 1974 there were 1,300 Amex issues. Today there are just over 950. Volume? NASDAQ now regularly beats the Amex by 7-to-1.

Not that the Amex is withering away. In the wake of the listings decline, exchange officials have worked aggressively to develop business in options and financial futures. But as far as stocks in small companies are concerned, investors now find most of the excitement on NASDAQ. That's the reason we decided to look for current values on the Amex. Searching the over 5,000-company Disclosure database, we ran some very tight screens. We wanted only firms selling under book value and with low P/Es and low debt levels. We also looked for firms with earnings growth for the past four years. The table on the opposite page contains the 11 issues that meet these requirements.

One particularly interesting find is Riblet Products, which makes components for manufactured homes. It was slated to appear on our list of leveraged buyout candidates (FORBES, *May 21*), but we decided to pull the company out at the last minute because of an acquisition offer. Two other firms that did make our list of possible buyouts—Avondale Mills, a textile manufacturer, and Hastings Manufacturing, a maker of auto parts—also show up in this group of Amex bargains.

Less than a year ago Tele-Concepts sold as high as 31. Profits at this telephone manufacturer and importer zipped from 1 cent a share in 1979 to 79 cents in 1982. But sales fell by nearly half and earnings evaporated in the first quarter of 1984. Thus, the recent share price of 4. Tele-Concepts is a bargain only if it can regain its luster.

Basic investment value, of course, has nothing to do with where a stock trades. And the fact that the Amex has trounced NASDAQ this year might be little more than a statistical quirk. But values are often likely to pop up where the fewest buyers are shopping. There may be plenty of room between the aisles at the Amex. ■

The Curb's suspenders

These 20 companies have helped keep the American Stock Exchange index from falling sharply in the last several months. Both the Amex and the overall market are down since the beginning of the year. But these stocks rose in price, and market capital of each firm increased by $25 million or more. As a group these shares added more than $1 billion to the capitalization-weighted indicator.

Company/business	Increase in market capital ($ mil)*	Price gain*	Price recent	Price 52-week high	Price 52-week low	Latest 12-month EPS	P/E	Yield	Book value
B.A.T Industries Ltd/tobacco	$136	14.3%	3	3⅛	2	$0.54	5.6	4.0%	$3.03
Beneficial Standard A/insurance	117	78.6	46	50	22⅛	2.08	22.1	0.9	25.01
Charter Medical A/health care services	92	26.9	23	30⅛	17½	1.54	14.9	0.9	5.12
Conrock/cement†	92	71.0	45¼	46½	25	2.54	18.0	1.3	20.80
Felmont Oil/oil and gas production†	90	36.5	32⅛	36½	17⅛	1.45	22.2	0.3	10.02
Hasbro Industries/toys	82	49.1	40¼	40¼	17½	2.88	14.0	0.6	11.94
BIC Corp/disposable products	69	92.9	23⅜	25¼	12	2.24	10.5	2.5	15.64
American Petrofina/integrated oil†	68	11.4	61¼	64¾	53	6.02	10.2	5.2	53.91
Charter Medical B/health care services	61	26.9	23¼	29⅞	17½	1.54	15.1	0.9	NA
Beneficial Standard B/insurance	58	75.1	45¾	50¼	22¾	2.08	22.0	0.9	NA
Affil Publications/newspaper	46	14.6	44⅛	47	38⅛	2.97	14.9	1.8	15.18
Husky Oil/integrated oil	39	5.9	9	10⅞	7⅛	0.47	19.1	1.3	5.34
New York Times/newspaper	39	3.6	2	30½	21⅞	2.13	13.6	1.7	10.51
PH Glatfelter/paper products	37	17.3	19½	20¼	14¼	1.96	9.9	3.3	13.26
Numac Oil & Gas Ltd/oil and gas exploration	34	14.3	12	14⅛	8¼	0.48	25.0	—	5.56
Power Test/gasoline distribution	33	61.9	18½	23⅛	10⅞	0.03	NM	1.6	7.22
Continental Airlines/airline‡	28	31.3	5¼	7⅞	2⅛	–7.77	NM	—	–6.96
Washington Post/newspaper	28	2.7	75¼	77	60¼	5.03	15.0	1.1	28.11
Echo Bay Mines Ltd/metals and mining	27	11.7	8⅜	9⅝	6⅛	0.25	33.5	1.0	1.62
Condec/industrial machinery†	25	26.0	28½	30	17⅛	–4.78	NM	—	19.39

*From 12/30/83 to 6/15/84 †Merger or acquisition pending ‡Chapter 11 NA: not available NM: not meaningful *Source: Wilshire Associates, Forbes*